

**To:** Audit, Risk and Scrutiny Board

**On:** 15 November 2021

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**Report by:** Director of Finance & Resources

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**Heading:** Audit Scotland Report to those charged with governance - 2020/21  
Renfrewshire Council Annual Accounts

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**1. Summary**

- 1.1 Each year the Council's appointed external auditors carry out an audit of the Council's financial statements and provide an opinion as to whether those statements provide a fair and true view of the financial position of the Council and its income and expenditure for the year; and also whether they have been prepared in accordance with the Local Government (Scotland) Act 1973.
- 1.2 In accordance with International Auditing Standards (ISA260), Audit Scotland are obliged to report to those charged with the governance of the organisation matters which have arisen in the course of the audit.
- 1.3 The attached ISA260 reports from Audit Scotland outline their findings from the audit of the 2020/21 the Renfrewshire Council accounts.
- 1.4 Under the Local Authority Accounts (Scotland) Regulations 2014, the Council must meet to consider the Annual Accounts and aim to approve those accounts for signature no later than 30 September. For 2020/21, the Coronavirus (Scotland) Act 2020 provided flexibility to this deadline, extending it to 30 November.
- 1.5 Audit Scotland officers will attend the Audit, Risk and Scrutiny Board meeting to present their reports.
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2. **Recommendations**
  - 2.1 Members are requested to consider the attached report from Audit Scotland.
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### **Implications of the Report**

1. **Financial** – The 2020/21 Annual Accounts demonstrate the Council continues to operate services within the resources available, and in line with the relevant legislation.
  2. **HR & Organisational Development – none**
  3. **Community/Council Planning – none**
  4. **Legal** – An audit opinion free from qualification demonstrates the Council's compliance with the statutory accounting requirements set out in the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.
  5. **Property/Assets – none**
  6. **Information Technology – none**
  7. **Equality & Human Rights** – The recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report because it is for noting only. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.
  8. **Health & Safety – none**
  9. **Procurement – none**
  10. **Risk – none**
  11. **Privacy Impact – none**
  12. **Cosla Policy Position – none**
  13. **Climate Risk – none**
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## **Audit, Risk and Scrutiny Board**

15 November 2021

### **Renfrewshire Council Audit of 2020/21 annual accounts**

#### **Independent auditor's report**

1. Our audit work on the 2020/21 annual accounts is now substantially complete. Subject to receipt of a revised set of annual accounts for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's report on 19 November 2021 (the proposed report is attached at [Appendix A](#)).

#### **Annual audit report**

2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for the Audit, Risk and Scrutiny Board's consideration our draft Annual Audit Report on the 2020/21 audit. The section headed "Significant findings from the audit in accordance with ISA 260" sets out the issues identified in respect of the annual report and accounts.
3. The report also sets out conclusions from our consideration of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice.
4. This report will be issued in final form after the annual accounts have been certified.

#### **Unadjusted misstatements**

5. We also report to those charged with governance all unadjusted misstatements which we have identified during our audit, other than those of a trivial nature and request that these misstatements be corrected.
6. We have no unadjusted misstatements to be corrected.

#### **Fraud, subsequent events and compliance with laws and regulations**

7. In presenting this report to the Audit, Risk and Scrutiny Board, we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.

## Representations from Section 95 Officer

8. As part of the completion of our audit, we are seeking written representations from the Director of Finance and Resources, as the Section 95 Officer, on aspects of the annual accounts, including the judgements and estimates made.
9. A draft letter of representation is attached at [Appendix B](#). This should be signed and returned to us by the Director of Finance and Resources with the signed annual accounts prior to the independent auditor's report being certified.

## APPENDIX A: Proposed Independent Auditor's Report

### Independent auditor's report to the members of Renfrewshire Council and the Accounts Commission

#### Reporting on the audit of the financial statements

##### Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Renfrewshire Council and its group for the year ended 31 March 2021 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash-Flow Statements, the council-only Housing Revenue Account, the Council Tax Income Account, and the Non-Domestic Rates Account and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the 2020/21 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2020/21 Code of the state of affairs of the council and its group as at 31 March 2021 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2020/21 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

##### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed under arrangements approved by the Accounts Commission on 28 January 2019. The period of total uninterrupted appointment is 3 years. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

### **Risks of material misstatement**

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my judgements thereon.

### **Responsibilities of the Director of Finance and Resources and the Audit, Risk and Scrutiny Board for the financial statements**

As explained more fully in the Statement of the Responsibilities, the Director of Finance and Resources is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Director of Finance and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance and Resources is responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Audit, Risk and Scrutiny Board is responsible for overseeing the financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the council is complying with that framework;
- identifying which laws and regulations are significant in the context of the council;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the council's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## Reporting on other requirements

### **Opinion prescribed by the Accounts Commission on the audited part of the Remuneration Report**

I have audited the part of the Remuneration Report described as audited. In my opinion, the audited part of the Remuneration Report has been properly prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014.

### **Statutory other information**

The Director of Finance and Resources is responsible for the statutory other information in the annual accounts. The statutory other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited part of the Remuneration Report.

My responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this statutory other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the statutory other information and I do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

### **Opinions prescribed by the Accounts Commission on the Management Commentary and the Annual Governance Statement**

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

## **Matters on which I am required to report by exception**

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

## **Conclusions on wider scope responsibilities**

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of the Best Value, are set out in my Annual Audit Report.

## **Use of my report**

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

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# Renfrewshire Council

2020/21 Annual Audit Report – Proposed



 AUDIT SCOTLAND

Prepared for the Members of Renfrewshire Council and the Controller of Audit

November 2021

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# Key messages

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## 2020/21 annual accounts

- 1 We recognise that the 2020/21 financial year has been characterised by the significant impact of the Covid-19 pandemic which created additional challenges for both Council and audit staff alike. Consequently, key dates within the financial reporting and auditing process have been updated to reflect the revised statutory deadline of 30 November 2021 to publish the audited 2020/21 annual accounts. The Council prepared its annual financial statements for the year within agreed timescales and the annual accounts and associated working papers have been prepared to a high standard.
- 2 Our audit identified four significant adjustments that impact on the Council's annual accounts, which have been corrected in the financial statements:
  - An error occurred in the elimination of intra-group transactions through the group consolidation process and the adjustment to correct this decreased creditors by £3.782 million and debtors by £0.275 million. This resulted in an increase in the group surplus and reserves by £3.507 million. The equivalent adjustment was also made to the 2019/20 comparative figures.
  - PPE and testing kits provided directly to the Council or via the Health and Social Care Partnership (HSCP) amount to £9.037 million. An assessment has been undertaken to confirm the level of PPE and testing kits that were used directly by the Council and the value that was provided to third party organisations. This has resulted in an adjustment of £7.363 million in Gross Expenditure and Gross Income in the Comprehensive and Expenditure Statement (CIES). There is no impact on the Net Cost of Services.
  - As part of our testing of internal recharges, we identified £4.9 million of staff costs had been appropriately capitalised to reflect the cost of the asset being constructed. However, this was not removed as a revenue expense within the CIES. Instead, for areas where staff are involved in capital projects, the Council will journal income to those areas and staff time is recharged to capital projects as professional fees. Although the net position is correct; both staff costs and income are overstated on the CIES. Both income and expenditure have therefore been adjusted by this amount and there is no impact on the Net Cost of Services.
  - Our audit work noted that management had used the incorrect average weekly charge when valuing the council dwellings in both 2020/21 and

2019/20. Updating for the correct figure resulted in an increase of £2.487 million in the value of council dwellings for 2020/21, with a corresponding increase in the revaluation reserve. The prior year restatement figure resulted in a decrease of £12.304 million in the value of council dwellings with a corresponding decrease in the revaluation reserve.

- 3 Following the correction of these adjustments, our audit opinions on the annual accounts of the Council and its group are unqualified and unmodified and confirm that the 2020/21 financial statements present a true and fair view of the financial activities of the Council and its Group. Similarly, our audit opinion on the section 106 charities administered by the Council is also unqualified and unmodified.

### Financial management and sustainability

- 4 The Council's financial management is effective with strong budgeting, financial monitoring and reporting processes that are aligned to its corporate priorities. The Council and its wider group financial position is sustainable into the foreseeable future, although Covid-19 continues to add additional pressure and uncertainty.
- 5 The Covid-19 pandemic had a significant impact on the Council's finances during 2020/21. Additional budget pressures totalled £20.743 million for the year and these were addressed through a combination of using Council reserves and additional Scottish Government funding.
- 6 The Council reported a year-end general fund surplus of £33.4 million for 2020/21, which was largely due to the receipt of additional funding to meet Covid-19 pressures in future years. This has resulted in a large increase in the Council's reserves, with £17.296 million earmarked for pandemic recovery. It is essential that the Council recognises the non-recurring nature of such reserves and take steps to ensure they are used effectively and in line with the Council strategy and strategic objectives.
- 7 Medium-term financial plans are aligned to the Council's corporate priorities and clearly demonstrate how the organisation intends to address future financial challenges with the Council undertaking robust financial modelling.
- 8 The Council should develop a revised financial strategy which ensures the total balances available are used to support the financial sustainability of the Council over the medium-term. The financial strategy will require to incorporate a revised approach to service delivery and new ways of working.

### Governance and transparency

- 9 The Council has appropriate governance arrangements in place. We recognise that in responding to the Covid-19 pandemic the Council revised its

governance arrangements. The new arrangements are appropriate and support good governance and accountability.

- 10** There is effective scrutiny, challenge and informed decision making.

## **Best Value**

- 11** The Council has an appropriate and effective Best Value framework in place. The Council continues to make positive progress addressing the recommendations contained in our 2016/17 Best Value Assurance Report.
- 12** The Council's performance management arrangements remained effective during the pandemic.

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# Introduction

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1. This report summarises the findings arising from the 2020/21 audit of Renfrewshire Council (the Council) and its group.
2. The scope of the audit was set out in our [2020/21 Annual Audit Plan](#) presented to the Audit, Risk and Scrutiny Board meeting on 22 March 2021. This report comprises the findings from:
  - an audit of the annual accounts
  - consideration of the four audit dimensions that frame the wider scope of public audit set out in the Code of Audit Practice 2016 namely, financial management, financial sustainability, governance and transparency and value for money.
3. The main elements of our audit work in 2020/21 have been:
  - an audit of the Council and its group 2020/21 annual accounts and the statement of accounts of the section 106 charities administered by the Council, including the issue of independent auditor's reports setting out our opinions
  - a review of the Council's key financial systems
  - audit work covering the Council's arrangements for securing Best Value relating to ongoing follow up of the recommendations in the 2016/17 Best Value Assurance Report (BVAR)
  - consideration of the four audit dimensions.
4. The global coronavirus pandemic has had a considerable impact on the Council during 2020/21 which has significantly altered the way in which the Council operates, with new services being provided in response to the pandemic and significant changes to the delivery of existing services. Risks related to the pandemic were included in our Annual Audit Plan, and we have adapted our planned work to address any new emerging risks.

## Adding value through the audit

5. We add value to the Council through the audit by:
  - having regular dialogue with senior officers as the strategic and operational impact of Covid-19 developed and presenting to Audit, Risk and Scrutiny Board on key challenges in the Covid-19 environment
  - sharing learning from our experiences working with other bodies and agreed a clear, no surprises, approach for the remote audit of the

2020/21 annual accounts within a revised annual accounts and audit timetable

- reporting our findings and conclusions in public and sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides.

**6.** In doing so, we aim to help the Council promote improved standards of governance, better management and decision making and more effective use of resources.

## Responsibilities and reporting

**7.** The Council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices.

**8.** The Council is also responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

**9.** Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the [Code of Audit Practice 2016](#) and supplementary guidance and International Standards on Auditing in the UK.

**10.** As public sector auditors we give independent opinions on the annual accounts. Additionally, we conclude on:

- the effectiveness of the Council's performance management arrangements
- the suitability and effectiveness of corporate governance arrangements, and financial position
- the arrangements for securing financial sustainability and
- Best Value arrangements.

**11.** Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

**12.** This report raises matters from our audit. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

**13.** Our Annual Audit Report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and the steps being taken to implement them.

## Auditor Independence

**14.** Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2020/21 audit fee of £367,010 as set out in our Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

**15.** This report is addressed to both the Council and the Controller of Audit and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course. We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit. This is especially appreciated during the ongoing challenging circumstances arising due to the Covid-19 pandemic.

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# 1. Audit of 2020/21 annual accounts

The principal means of accounting for the stewardship of resources and performance

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## Main judgements

Our audit opinions on the annual accounts of the Council and its group are unqualified and unmodified and confirm that the 2020/21 financial statements present a true and fair view of the financial activities of the Council and its Group. Similarly, our audit opinion on the section 106 charities administered by the Council is also unqualified and unmodified.

Our audit identified four significant adjustments that impact on the Council's annual accounts, which have been corrected in the financial statements. These are detailed at [Exhibit 2](#).

Covid-19 created additional challenges for both Council and audit staff, with key dates in the financial reporting and auditing process updated to reflect the revised statutory deadlines. These revised deadlines have been achieved.

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## Our audit opinions on the annual accounts are unmodified

**16.** The annual accounts for Renfrewshire Council and its group for the year ended 31 March 2021 were approved by the Council on 18 November 2021. As reported in the independent auditor's report:

- the financial statements give a true and fair view of the financial position of the Council and its group and were properly prepared in accordance with the financial reporting framework
- the audited part of the Remuneration Report, Management Commentary and the Annual Governance Statement were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

## The annual accounts were signed off in line with the timescales permitted to reflect Covid-19

**17.** As a result of the continuing impact of Covid-19, the submission deadlines for Local Government audited annual accounts and Annual Audit Reports have

been set at 30 November 2021. The unaudited annual accounts were received in line with our agreed audit timetable on 25 June 2021.

**18.** Remote working continues to bring additional challenges to the audit process. This affected how we were able to work as an audit team and with council staff. Our planned audit work has adapted to new emerging risks as they relate to the audit of the financial statements and the wider dimensions of audit. Working arrangements with officers continue to be reviewed to deliver an efficient and effective audit that meets our quality standards. Despite these challenges we were able to deliver the audit in line with the revised statutory deadline.

## **Our audit opinions on Section 106 charities were unmodified**

**19.** Due to the interaction of section 106 of the Local Government in Scotland Act 1973 with the charities legislation, a separate independent auditor's report is required for the statement of accounts of each registered charity where members of Renfrewshire Council are sole trustees, irrespective of the size of the charity.

**20.** There is one trust fund, Coats' Observatory Trust, which was set up "for the upkeep of Coats Observatory equipment". This purpose was relevant while there were cash funds available; however, these funds have been exhausted, and only the property assets remain.

**21.** The Common Good Funds continue to make grants available to local organisations and will continue to fund recurring commitments. The Council will continue to review the funding provided by the Common Good Funds to ensure it remains appropriate and in line with the objectives of the Funds and to the benefit of the inhabitants of the relevant Burghs.

**22.** We received the charities' accounts in line with the agreed timetable and after completing our audit we reported in the independent auditor's reports that:

- the financial statements give a true and fair view of the section 106 charity's financial position and are properly prepared in accordance with charities legislation
- the trustees' annual report is consistent with the financial statements and prepared in accordance with proper accounting practices.

**23.** These were approved by the Council on 18 November and signed by the statutory deadline of 30 November.

## **There were no objections raised to the annual accounts**

**24.** The Local Authority Accounts (Scotland) Regulations 2014 require a local authority to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. The Council complied with the regulations. There were no objections to the 2020/21 accounts.

## Whole of Government Accounts has been delayed at a UK level

**25.** Whole of Government Accounts (WGA) is the consolidated financial statements for all components of government in the UK. Most public bodies are required to submit returns for the preparation of WGA. The returns are consolidated into WGA by HM Treasury. WGA is audited at a UK level by the National Audit Office (NAO), who issue Group Audit Instructions.

**26.** Appointed auditors in Scotland are required by the Code of Audit Practice, as part of their audit appointment, to examine and report on WGA returns prepared by Scottish audited bodies. Auditors are required to report the results of their examination in an Assurance Statement. The examination and reporting process performed by auditors is therefore described as auditor assurance.

**27.** The NAO has advised that, due to the late completion of 2019/20 WGA, the process for 2020/21 is running late. HM Treasury has advised that the OSCAR system will not be open for 2020/21 submissions before December 2021. The 2020/21 WGA component data will therefore not be available for auditors to review until after that. Group Audit Instructions from the NAO and the timetable for 2020/21 will necessarily follow any changes the Treasury make to the Data Collection Tool (DCT) and process.

**28.** We will work with the Council to progress the audit of the 2020/21 return when the issues at a UK level are resolved.

## Overall materiality is £8.3 million

**29.** We apply the concept of materiality in both planning and performing the audit and in evaluating the effect of identified misstatement on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. We identify a benchmark on which to base overall materiality, such as gross expenditure, and apply what we judge to be the most appropriate percentage level for assessing materiality values.

**30.** The determination of materiality is based on professional judgement and is informed by our understanding of the entity and what users are likely to be most concerned about in the annual accounts. In assessing performance materiality, we have considered factors such as our findings from previous audits, any changes in business processes and the entity's control environment including fraud risks.

**31.** Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit. As detailed within our Annual Audit Plan, these apply to both the Renfrewshire Council single entity financial statements and the Renfrewshire Council group financial statements. This was reviewed on receipt of the unaudited annual accounts and remains unchanged, as summarised in [Exhibit 1](#).

## Exhibit 1

### Materiality values

| Materiality level       | Amount         |
|-------------------------|----------------|
| Overall materiality     | £8.3 million   |
| Performance materiality | £5.4 million   |
| Reporting threshold     | £0.250 million |

Source: Audit Scotland, Annual Audit Plan 2020/21

## Appendix 2 identifies the main risks of material misstatement and our audit work performed to address these

**32.** [Appendix 2](#) provides our assessment of the risks of material misstatement in the annual accounts and any wider audit dimension risks. These risks influence our overall audit strategy, the allocation of staff resources to the audit and indicate how the efforts of the team were directed. The appendix identifies the work we undertook to address these risks and our conclusions from this work.

## All identified misstatements have been corrected in the audited accounts

**33.** International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices.

**34.** Where we have identified misstatements in the annual accounts, we have concluded that they arose from issues that have been isolated and identified in their entirety and do not indicate further systemic error. It is our responsibility to request that all misstatements, other than those below the reporting threshold are corrected, although the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality.

**35.** Management have agreed to correct all misstatements and there are no uncorrected errors arising from our audit.

**36.** All the significant findings from our audit involved correcting adjustments to the annual accounts and are summarised in [Exhibit 2](#) below.

**Exhibit 2****Significant findings from the audit of the financial statements**

| Issue  | Resolution  |
|--|---|
| <b>Adjusting findings</b>  |   |
| <p><b>1. Correction of consolidation error</b></p> <p>As part of the preparation of the group accounts, transactions and balances between group components are eliminated through consolidation adjustments.</p> <p>Park Lane Developments was formed in 2010 by Renfrewshire Council and Park Lane Real Estate LLP in order to facilitate the regeneration of a key development site within Paisley town centre. The Council's group accounts disclose a long-term creditors balance of £3.782 million which represents the contractual value of the loan from Renfrewshire Council to Park Lane Developments (Renfrewshire) Limited. The Council single entity accounts correctly disclose the loan as impaired.</p> <p>The Council has agreed to remove the intercompany balance from the group balance sheet.</p> <p>The equivalent adjustment was also made to the 2019/20 comparative figures.</p> | <p>This was corrected within the audited annual accounts.</p> |
| <p><b>2. Recognition of Personal Protective Equipment</b></p> <p>A national issue emerged during the course of the audit in relation to the Personal Protective Equipment (PPE) and testing kits which had been distributed to councils directly by Scottish Government or via the HSFC. This matter required changes to be made to the financial statements and additional audit procedures to be undertaken to obtain the necessary assurances to support the adjustments and the associated accounting treatment.</p> <p>PPE and testing kits provided directly to the Council or via the HSFC amount to £9.037 million. An assessment has been undertaken to confirm the level of PPE and testing kits that were used directly by the Council and the value that was provided to third party organisations.</p>  | <p>This was corrected within the audited annual accounts.</p> |

| Issue   | Resolution   |
|---|--|
| <p>This has resulted in an adjustment of £7.363 million.</p> <p>There is no impact on the Council's net result for the year.</p>  |  |
| <p><b>3. Capitalisation of staff costs</b></p> <p>As part of our testing of internal recharges, we identified £4.9 million of staff costs had been appropriately capitalised to reflect the cost of the asset being constructed. However, this was not removed as a revenue expense within the CIES. Instead, for areas where staff are involved in capital projects, the Council journal income to those areas and staff time is recharged to capital projects as professional fees.</p> <p>Although the net position is correct, both staff costs and income are overstated in the CIES. Both income and expenditure have therefore been adjusted by £4.9 million and there is no impact on the Net Cost of Services.</p>   | <p>This was adjusted within the audited annual accounts.</p>                                     |
| <p><b>4. Council Dwellings Audit Adjustment</b></p> <p>The Council owns a number of council dwellings which are valued for inclusion in the annual accounts based on a number of factors, including the average weekly rent charge.</p> <p>Our audit work noted that management had used the incorrect average weekly charge when valuing the council dwellings in both 2020/21 and 2019/20.</p> <p>Updating for the correct figure resulted in an increase of £2.487 million in the value of council dwellings for 2020/21, with a corresponding increase in the revaluation reserve.</p> <p>The prior year restatement figure resulted in a decrease of £12.304 million in the value of council dwellings with a corresponding decrease in the revaluation reserve.</p> | <p>This was corrected within the audited annual accounts.</p> <p>See Recommendation 1 below.</p> |

Source: Audit Scotland

**37.** Our audit also identified four non-significant adjustments to the annual accounts and these are:

- A reclassification of £1.069 million between income and expenditure in the Miscellaneous Services line on the CIES. This adjustment has no impact on the Net Cost of Services.
- Removal of £0.710 million of property, plant and equipment additions and associated creditors which were incorrectly recognised in 2020/21. This adjustment results in a £0.710 million reduction in the total value of the Balance Sheet.
- Recognition of £0.243 million of grant income which had previously been deferred until 2021/22. This adjustment results in a £0.243 million increase on the Net Cost of Services Surplus.
- A reclassification of £0.084 million in 2020/21 and £0.143 million in 2019/20 between the Supervision and Management line and the Increase / Decrease in the Allowance for Bad Debts line on the housing revenue account Income and Expenditure Statement. This adjustment has no impact on the Net Cost of Services.

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## Recommendation 1

Formalise the internal process for the request and provision of land and property valuations. In addition, appropriate staffing and resource should be deployed to improve the valuation arrangements within the Council.

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## Good progress was made on prior year recommendations

**38.** The Council has made good progress in implementing our prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

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## 2. Financial management

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

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### Main judgements

The Council's financial management is effective with strong budgeting, financial monitoring and reporting processes that are aligned to its corporate priorities.

The Covid-19 pandemic had a significant impact on the Council's finances during 2020/21. Additional budget pressures totalled £20.743 million for the year and these were addressed through a combination of using Council reserves and additional Scottish Government funding.

The Council reported a year-end general fund surplus of £33.4 million for 2020/21, which was largely due to the receipt of additional funding to meet Covid-19 pressures in future years. This has resulted in a large increase in the Council's reserves with £17.296 million earmarked for pandemic recovery. It is essential that the Council recognises the non-recurring nature of such reserves and take steps to ensure they are used effectively and in line with the Council strategy and strategic objectives.

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### The Council reported a surplus, but the Covid-19 pandemic had a significant impact on the 2020/21 financial year

**39.** The impact on public finances of the Covid-19 pandemic has been unprecedented, which has necessitated both the Scottish and UK governments providing substantial additional funding for public services as well as support for individuals, businesses and the economy. It is likely that further financial measures will be needed and that the effects will be felt well into the future.

**40.** The Council's budget is aligned to its strategic priorities. To inform the budget each directorate produces income and expenditure estimates based on the Service Improvement Plans (SIPs). SIPs outline the activities of each directorate and how these support the delivery of the Council Plan.

**41.** Due to the challenges resulting from the pandemic, the three-year SIPs were replaced by Service Delivery Plans (SDPs) that focus on a single year (2021/22) and outline what each service plans to do to mitigate the effects of the pandemic and associated restrictions, as well as actions to support recovery and renewal. Each service's SDP was approved by Policy Boards from March 2021.

**42.** The Covid-19 pandemic had a significant impact on the Council's 2020/21 budget with both additional costs and income losses arising from the start of the year. As the year progressed the initial estimates of expenditure and income were revised and managed through the Council's financial management process and from additional financial support provided by the Scottish Government.

**43.** The Council approved its 2020/21 budget in March 2020. Budgeted net expenditure was £433.379 million and estimated total income was £435.744 million, resulting in a projected budget surplus of £2.365 million. This projected underspend was then applied to additional commitments resulting in a breakeven budget being agreed.

**44.** As the impact of the pandemic developed regular reporting of the financial position was provided to each Policy Board, including specific reporting of Covid-19 related pressures. The Council continued to revise its financial position with the final budget forecasting net expenditure of £433.887 million and estimated total income was £463.035 million, resulting in a projected budget surplus of £29.148 million.

**45.** The Council reported a final surplus of £33.4 million in 2020/21 against a budgeted break even position.

**46.** Over the course of the year additional revenue support of £41.5 million was provided to the Council by the Scottish Government to address service pressures over the course of 2020/21 and 2021/22. Additional Covid-19 related funding received from Scottish Government for future years resulted in council reserves increasing by £34.229 million in 2020/21.

**47.** Overall, the council reported an underspend of £4.256 million on its "business as usual" budget. This is after Covid-19 costs of £20.743 million, which were funded through a mixture of reserves and additional funding from Scottish Government.

**48.** As expected, the main reasons for variances against the approved budget in March 2020 related to the response and subsequent recovery actions for Covid-19. The most significant variances were:

- additional costs incurred in household waste collection and disposal, additional cleaning across all council facilities, additional teaching resource and support to Renfrewshire Leisure
- a significant impact on income streams with parking income, trade waste income and commercial income to both the Council and Renfrewshire Leisure being particularly affected.

### **The level of general fund reserves has increased because of Covid-19 funding received for future periods**

**49.** One of the key measures of the financial health of a local authority is the level of reserves held. The Council has increased its useable reserves steadily since 2013/14 and has historically had a high level of reserves in comparison to many other councils in Scotland. The majority of reserves

are statutory or ring-fenced and aligned to future spending plans and strategic objectives.

**50.** The overall level of usable reserves held by the Council increased by £34.229 million from £159.621 million in 2019/20 to £193.850 million in 2020/21. A table showing all reserves movements is included in [Exhibit 3](#).

### Exhibit 3

#### Movements in useable reserves in 2020/21

|                            | Opening<br>£m  | Used<br>£m   | Added<br>£m   | Closing<br>£m |
|----------------------------|----------------|--------------|---------------|---------------|
| General Fund (Unallocated) | 6.559          | -            | 4.288         | 10.887        |
| General Fund (Ring-fenced) | 48.212         | 5.611        | 34.727        | 77.328        |
| Housing Revenue Account    | 6.807          | 0.310        | -             | 6.497         |
| Revenue Statutory Funds    | 2.858          | -            | 0.006         | 2.864         |
| Capital Receipt Reserve    | 9.453          | 1.076        | 0.261         | 8.638         |
| Capital Statutory Funds    | 85.692         | 1.200        | 3.144         | 87.636        |
| <b>Total</b>               | <b>159.621</b> | <b>8.197</b> | <b>42.426</b> | <b>193.85</b> |

Source: Audited annual accounts 2020/21

**51.** The general fund reserve is the largest reserve, with a balance of £88.215 million. Although the general fund reserve has no restrictions on its use, £77.328 million has been ring-fenced for future expenditure plans including £17.296 million specifically for Covid-19 recovery which arose due to additional funding from Scottish Government.

**52.** The Council reviews the level of its unallocated reserves when setting the budget each year. As part of the 2020/21 budget setting process the Council agreed to increase the unallocated revenue balances to a minimum of £10 million to address the financial risks in the short and medium-term. This represents 2.5 per cent of budgeted net expenditure held as unallocated General Fund reserves. At the end of 2020/21 the Council's unallocated reserves were £10.887 million.

### Recommendation 2

Continue to assess the adequacy and use of ringfenced balances as it reviews its financial strategy; and to ensure that funding specifically allocated for the Covid-19 response is utilised in accordance with funding conditions.

## Capital expenditure reduced in 2020/21 as the Council paused its capital investment projects

**53.** Plans for capital expenditure are approved by the Council as part of the budget setting process each year. In March 2020, the Council approved a capital budget of £127.45 million for 2020/21 (including £30.215 million of spend on housing related projects). A table setting out capital budget and spend is included in [Exhibit 4](#).

### Exhibit 4

#### Analysis of capital spend in 2017/18 to 2020/21

| Year    | Approved Capital Spend*<br>(£ millions) | Capital Spend Relating to Plans Approved in Prior Years<br>(£ millions) | Capital Spend Relating to Current Year Plan<br>(£ millions) | Total in Year Capital Spend<br>(£ millions) |
|---------|---|---|---|---|
| 2017/18 | £104.4                                  | £19.2   | £48.2   | £67.5                                       |
| 2018/19 | £88.0                                   | £21.5   | £43.2   | £64.7                                       |
| 2019/20 | £99.9                                   | £7.8  | £77.6   | £85.3                                       |
| 2020/21 | £127.4                                  | £2.1  | £51.6   | £53.7                                       |

\*Includes spend approved by committee during the year

**54.** Planned spend on the capital programme was significantly impacted by the pandemic, initially as the construction sector was shut down and then by ongoing social distancing requirements over the remainder of the financial year.

**55.** The Council's total spending on capital projects was £53.749 million (£85.3 million in 2019/20), with non-housing capital expenditure of £44.823 million and housing capital expenditure of £8.926 million. Capital receipts of £1.273 million (£0.704 million in 2019/20) were used to fund spending on capital projects.

**56.** The Council continues to adjust future years capital programmes to reflect the rephasing of projects. As at 31 March 2021, the Council had commitments on capital contracts for non-housing projects of £140.251 million (£35.742 million in 2019/20) and for housing projects of £35.263 million (£39.072 million in 2019/20).

**57.** In March 2021 the Council agreed the capital investment plans for non-housing covering the period 2021/22 to 2025/26 with budgeted investment totalling £443.5 million. In addition, the Council agreed capital investment for

housing for the 3-year period 2021/22 to 2023/24 of almost £126 million. The Council has planned total capital expenditure of £142.3 million for 2021/22 with £115.7 million allocated non-housing and £25.6 million to housing.

**58.** As a result of the ongoing challenges the Council will need to ensure it continues to review progress of the existing capital programme. This will include rescheduling and the reprioritisation of projects until there is greater certainty over the achievement of projects in the short and medium-term.

### **The Council administered Covid-19 support grants on behalf of Scottish Government**

**59.** The Council administered the distribution of Covid-19 support grants on behalf of the Scottish Government. The total value of grants issued in 2020/21 was £46.632 million.

**60.** As described in the Management Commentary of the Council's annual accounts, these grants were judged to be on an agency basis meaning that they are not included within the CIES.

**61.** Our audit work considered management's judgments on the classification of all Covid-19 related funding as agency or principal and we concluded that it was materially accurate.

### **Housing revenue account incurred an overspend in line with forecast**

**62.** The Council is required by legislation to maintain a separate housing revenue account (HRA) and to ensure that rents are set a level which will at least cover the costs of its social housing provision.

**63.** The HRA recorded expenditure in 2020/21 of £56.526 million (2019/20: £57.635 million). Overall, the HRA recorded an overspend of £0.310 million in line with forecast figure for the year and reflects the net effect of variances in employee costs and repairs costs.

**64.** An overspend in depreciation and impairment relates to the increased capital contributions made as part of the HRA Business Plan Strategy to utilise in year underspends to assist mitigate the impact of future capital borrowing costs arising from the delivery of investment in housing stock.

**65.** Unallocated HRA reserves have reduced to £6.497 million. This Council believes this represents a prudent level of unallocated reserves for the HRA to mitigate any continuing impact of Covid-19 and any other unforeseen risks.

### **Financial systems of internal control operated effectively**

**66.** As part of our audit we identified and assessed the key internal controls in those accounting systems which we regard as significant to produce the financial statements. This provided the assurance that the Council has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

**67.** Last year we reported that our work highlighted that the controls in place to carry out quality checks on awarded Non-Domestic Rates (NDR) and Council Tax reliefs were not carried out from late March 2020 through to late June 2020 due to the Covid-19 lockdown. The lack of this quality check process increased the risk of reliefs being awarded inappropriately.

**68.** As a result, we carried out additional substantive testing over NDR and Council Tax reliefs, however no issues were highlighted from the sample of reliefs that we tested.

### Land and buildings valuations

**69.** To ensure the accuracy of land and property valuations within the annual accounts, management obtain expert advice from appropriately qualified staff within the Council's property services department.

**70.** The Council revalues elements of its fixed assets over a 5-year rolling programme, with different classes of asset being revalued each year. This can lead to significant movements in value, particularly if a large class of asset is due for revaluation in a particular year. Management should consider a valuation methodology whereby 20 per cent of each class of asset is revalued each year, with all assets still being revalued once over a 5-year period. This would reduce the likelihood of uneven valuation movements arising as a result of the specific class of assets due for revaluation in a given year.

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## Recommendation 3

Consider a valuation methodology whereby 20 per cent of each class of asset is revalued each year

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**71.** The Council's heritage assets are held in the museums operated by Renfrewshire Leisure (Paisley Museum and Art Gallery, Renfrew Town Hall and Museum and The Secret Collection).

**72.** The combined collections managed by the Renfrewshire Arts and Museums Service number in excess of 350,000 objects and the Council notes that it is impractical to undertake a full valuation of all the items in the collection. The value of heritage assets in the annual accounts reflect a combination of external valuations and those undertaken by museum curators for insurance purposes. The last valuation external valuation was in 2013.

**73.** The annual account state that the insurance value of heritage assets is based on market value but it is unclear how the Council know the insurance value is appropriate without a recent valuation being undertaken.

**74.** The inventory of objects is currently held in a variety of manual and electronic formats. The Council has procured a centralised electronic collections management system and work is underway to transfer records to this new system.

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## Recommendation 4

The Council should undertake a systematic valuation of heritage assets. This should be aligned with the transfer of records onto the new electronic management system.

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### Arrangements for the prevention and detection of fraud and error were appropriate

**75.** The Council is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption. Furthermore, it is responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.

**76.** The risk profile of public bodies during 2020/21 has been significantly affected by the Covid-19 pandemic. This is likely to have increased the risk of fraud and error as control environments and internal controls have had to change to allow for services to operate effectively and respond to issues in a timely manner. We have reviewed the arrangements put in place by the Council to address any heightened risks and concluded that there are appropriate arrangements for the prevention and detection of fraud, error and irregularities.

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# 3. Financial sustainability

Financial sustainability looks forward to the medium and long-term to consider whether the council is planning effectively to continue to deliver its services or the way in which they should be delivered

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## Main judgements

Medium-term financial plans are aligned to the Council's corporate priorities and clearly demonstrate how the organisation intends to address future financial challenges with the Council undertaking robust financial modelling.

The Council should develop a revised financial strategy which ensures the total balances available are used to support the financial sustainability of the Council over the medium-term. The financial strategy will require to incorporate a revised approach to service delivery and new ways of working.

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## The financial impact of the Covid-19 pandemic will be significant

**77.** The financial impact of the pandemic on the Council is likely to extend across several years and could include a reduction in income from business rates and council tax non-payments as well as a reduction in fees and charges from, for example, leisure and parking. The Council may also face increased costs such as higher staff costs to cover the delivery of services.

**78.** Financial management across the Council has remained strong, with additional reporting put in place to clearly distinguish Covid-19 related costs and income losses from core operating costs.

**79.** A balanced budget position moving into 2021/22 was agreed by the Council on 4 March 2021, building on the previous budget decisions taken by the Council towards addressing the medium-term savings requirement.

**80.** No new savings decisions were included in the agreed budget for 2021/22, reflecting the decision to temporarily pause of the Council's Right for Renfrewshire programme. Temporary investment in measures to assist Renfrewshire's communities recover from the pandemic were agreed, including a freeze in council tax which formed part of the conditional grant offer from the Scottish Government.

## Medium and longer-term financial plans are in place and have been updated to reflect the impact of the pandemic

**81.** It is important that long-term financial strategies (typically covering five to ten years) are in place which link spending to the Council's strategies. Although Councillors only approve the budget for a single year, this should be supported by indicative future spending plans that forecast the impact of relevant pressures on the Council.

**82.** While the Council's financial stability remains secure in the short-term, the Council has reported that there is an unaddressed structural budget deficit estimated to be between £4 - £5 million as it moves into the 2022/23 financial year. The Council's medium-term financial outlook continues to be subject to financial challenges, with future government grant prospects and the scale of pay pressures in future years continuing as the most significant areas of uncertainty.

**83.** The Council forecasts that in the period to 2025, in gross terms, before any adjustment for council tax rises, a saving of approximately £25 million will be required to address the forecast structural budget deficit and therefore providing no capacity for reinvestment in service or capital investment priorities. Building in an indicative council tax rise each year of three per cent would reduce the saving requirement to approximately £17 million.

**84.** To address the medium and longer-term challenges, the Council has continued to invest in a range of measures. As noted at paragraph 57 above, the Council has agreed a capital programme of £142.3 million in 2021/22 across public infrastructure, schools, nurseries, public buildings and council housing. These will run alongside the Glasgow City Region City Deal programme.

**85.** As part of the budget planning for 2022/23, the Council intends to take advantage of the financial flexibility arrangements approved by the Council in September 2020 to secure financial stability in the short-term and help address the forecast medium-term structural budget deficit.

**86.** The Council has also developed economic and social renewal and recovery plans, which set out how the Council will work with partners to respond to the Covid-19 pandemic over the short to medium-term.

**87.** Due to the additional challenges presented by the Covid-19 pandemic and the medium to longer-term impact this may have on planned public sector spending across the UK and Scotland, the Council's existing financial outlook plan is subject to significantly greater uncertainty.

**88.** It is likely that further decisions and announcements by the UK and a Scottish Governments will impact and influence the Council's financial outlook, both in the short, medium and longer-term.

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## Recommendation 5

Develop a revised financial strategy which ensures the total balances available are used to support the financial sustainability of the Council over the medium-term. The financial strategy will require to incorporate a revised approach to service delivery and new ways of working.

To address the financial challenge the Council will need to actively engage with local and national partners to deliver the required level of efficiencies and savings.

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## Transformational planning has been significantly disrupted by the pandemic

**89.** The Right for Renfrewshire transformation programme was temporarily suspended during 2020/21 in order for the Council to focus resources on the Covid-19 response and recovery. However, some elements within the programme of work have continued and other project activities are progressing only where there is employee capacity and a business need. The Council's Financial Strategy will inform the scope, timelines and savings targets for future stages of the programme; however, a limited level of transformation activity and associated financial savings are anticipated as part of the 2022/23 budget planning arrangements.

## City Deals

**90.** The £1.13 billion Glasgow City Region City Deal is an agreement between the UK Government, the Scottish Government and eight local authorities across the Glasgow City Region. Renfrewshire Council is the lead authority on two City Deal infrastructure projects with funding of £148.8 million.

- **The Glasgow Airport Investment Area Project (GAIA - £43.1 million)** is delivering the enabling infrastructure and utility connections into Netherton Campus, a 52-hectare Renfrewshire Council-owned site next to Glasgow Airport. Work on this project has been delayed due to the Covid-19 lockdown, and is due to complete in January 2022, with capital expenditure of £32.2 million to 31 March 2021.
- **The Clyde Waterfront and Renfrew Riverside Project (CWRR - £105.7 million)** includes the construction of a new opening bridge across the River Clyde, and the construction of the Renfrew North Development Road. The design and construction contract is due to commence in the third quarter of 2021. Capital expenditure to 31 March 2021 was £15.7 million.

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# 4. Governance and transparency

The effectiveness of scrutiny and oversight and transparent reporting of information

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## Main Judgements

The Council has appropriate governance arrangements in place. We recognise that in responding to the Covid-19 pandemic the Council revised its governance arrangements. The new arrangements are appropriate and support good governance and accountability.

There is effective scrutiny, challenge and informed decision making.

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## Governance arrangements operating throughout the Covid-19 pandemic have been appropriate and operated effectively

**91.** The Covid-19 pandemic began in the weeks prior to the start of the 2020/21 financial year. Initially, all of the Council and Board meetings were suspended. The Chief Executive was given temporary powers to make urgent business decisions in their absence. Additionally, the Emergencies Board continued to meet and monitor council performance.

**92.** The temporary emergency governance arrangements that were put in place in March 2020 remained in operation throughout 2020/21, with the exception that Board cycles recommenced in August 2020, which allowed the role of the Emergencies Board to be scaled back and the emergency delegations given to the Chief Executive came to an end.

**93.** The Emergencies Board last met in September 2020. There continues to be weekly Emergency Management Team meetings and the Corporate Management Team also meet weekly with a specific focus on recovery. A cross party briefing meeting is scheduled fortnightly with group leaders to provide ongoing updates on the Covid-19 response.

**94.** The installation of the Public-i system created the opportunity for the Council to hold hybrid Board meetings in Renfrewshire House, with some elected members and officers being present and others accessing the meeting remotely.

**95.** This meant that the system was available for its use to begin at formal Board meetings in August 2021. All of the Council's Policy Boards, the Audit, Risk and Scrutiny Board and the Leadership Board have taken place using the

Public-i system. In all cases, these have been hybrid meetings with some members present in the Chamber while others accessed the meeting remotely.

**96.** It is proposed the Council continues with the current arrangements for Board meetings which allows for hybrid meetings, with the option available to the Convener of each Board to hold the meeting remotely by Teams. It is proposed the Council extends the use of the Public-i system for meetings of the Regulatory Functions Board starting with the meeting on 27 October 2021.

**97.** Overall, the Council has appropriate governance arrangements in place which support effective scrutiny, challenge and decision making.

## Openness and transparency

**98.** There continues to be an increasing focus on demonstrating the best use of public money. Openness and transparency in how a body operates and makes decisions is key to supporting understanding and scrutiny. Transparency means that the public has access to understandable, relevant and timely information about how the body is taking decisions and using resources.

**99.** There is evidence from several sources which demonstrate the Council's commitment to transparency. Members of the public can attend meetings of the full Council and other Boards. Minutes of these Board meetings and supporting papers are available on the Council's website. Most items on Board agendas are covered in open session at meetings rather than in private.

**100.** The Council webcasts its main Council and Policy Board meetings and all agenda papers and minutes, including the annual accounts, are on the Council's website.

**101.** The Council's website allows the public to access a wide range of information including the register of members' interests, current consultations and surveys and how to make a complaint. In addition, the website is encouraging the public to sign up for e-alerts. The service became available from 1 August 2018 and allows the public sign-up to news they want to receive on the website and get it delivered straight to their inbox.

**102.** The Management Commentary that accompanies the financial statements clearly explains to readers how the Council has performed against its revenue and capital budgets and how this is reconciled to the financial statements.

**103.** The Council conducts its business in an open and transparent manner.

## Standards of conduct

**104.** During the year it was reported to the Council that the Standards Commission of Scotland imposed a sanction of disqualification on an elected member to reflect their findings that the Councillor had breached several paragraphs of the Councillors' Code of Conduct.

**105.** The Standards Commission's decision was the subject of an appeal and the appeal was heard by the Sheriff Principal on 31 August 2021. On 21

October 2021, the judgement confirmed the disqualification was upheld and a by-election has been set for 14 December 2021.

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# 5. Best Value

Using resources effectively and continually improving services.

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## Main judgements

The Council has an appropriate and effective Best Value framework in place. The Council continues to make positive progress addressing the recommendations contained in our 2016/17 Best Value Assurance Report.

The Council's performance management arrangements remained effective during the pandemic.

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## The Council is making good progress in securing Best Value

**106.** Best Value is assessed over the audit appointment, as part of the annual audit work. In addition, a Best Value Assurance Report (BVAR) for each council will be considered by the Accounts Commission at least once in this period. The BVAR report for the council was published in August 2017.

**107.** The BVAR concluded that the Council has a clear and ambitious vision for Renfrewshire to revitalise the area's economy and address poverty and inequality. This vision is supported by the Council's partners and the Council Plan; management structures and performance management processes are also well aligned to the vision.

**108.** We also highlighted key areas where the Council should focus its improvement activities on going forward. The report made seven recommendations relating to areas for further development including cross party working, community engagement, partnership working, financial sustainability, workforce planning and governance arrangements.

**109.** Progress in implementing the recommendations continues to be monitored by the Corporate Management Team on an annual basis, with the next update scheduled for December 2021.

**110.** The Council continues to make positive progress in implementing the recommendations from the 2017 BVAR. We will continue to monitor the Council's progress against the improvement actions.

## The Council has implemented a new People Strategy to support transformational change

**111.** Our BVAR recommended that the Council should develop a detailed medium and long-term workforce strategy and plan and implement its organisational development strategy.

**112.** The People Strategy entitled **Our People Our Future 2021-2026** integrates the earlier strategies into a five-year framework, with three strategic outcomes. However, the Council recognises that the immediate priorities over the short-term will focus primarily on supporting the workforce in the response to and recovery from the pandemic.

**113.** In the longer-term the intention is that the strategy will support the Council's transformation plans with progress being reviewed annually. It is intended that the People Strategy will be re-aligned as required to support the new Council Plan in 2022/23.

## **The Council has undertaken a community impact assessment**

**114.** In September 2020, the Council undertook a community impact assessment to understand the impact that Covid-19 has had on local people and communities. It was recognised that although the process would primarily focus on the impact of the pandemic, there was an opportunity to tackle some of the existing inequalities that exist within local communities.

**115.** Between December 2020 and February 2021 officers worked with partners across sectors and communities to finalise this first phase of the community impact assessment in Renfrewshire. The key areas of activity included:

- analysis of the findings from the 2020 Covid-19 Impact survey of the Renfrewshire Public Services Panel
- engagement with all seven Local Partnerships on the impact of the pandemic at a community level
- engagement with local representative groups and organisations on issues impacting people from Black and Minority Ethnic (BME) communities, women and people with a disability in Renfrewshire
- analysis of national policy developments and research in relation to the pandemic with a specific focus at a local level on housing and children and young people.

**116.** The findings from the community impact assessment confirm a number of key priorities which partners and communities should address jointly. These have been used to inform the development of an initial Social Renewal Plan for Renfrewshire. Initial priorities targeted by the Council relate to income, poverty and financial insecurity, and funding has been allocated specifically to support low-income households to manage financially over Winter 2021 as an immediate priority.

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## **Recommendation 6**

It is important that partners and communities continue to work together on these priorities, and that people most impacted are able to shape the actions that are taken to address the issues being experienced.

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## Performance management arrangements provide a sound base for improvement

**117.** The Council reports its progress against the Council Plan to the Leadership Board every six months.

**118.** There are Service Improvement Plans (SIPs) for all key service areas. They contain detailed action plans which link to the priorities in the Council Plan. They are also closely linked to other relevant plans, including Renfrewshire's Community Plan and Local Outcome Improvement Plan. Progress against SIP indicators is reported to relevant Policy Boards every six months. These are the forums where Councillors can challenge how services are performing.

**119.** As noted at paragraph 41, due to the challenges resulting from the pandemic, the three-year SIPs were replaced by Service Delivery Plans (SDPs) that focus on a single year (2021/22) and outline what each service plans to do to mitigate the effects of the pandemic and associated restrictions, as well as actions to support recovery and renewal. Each service's SDP was approved by Policy Boards from March 2021. The reports provide information on backlogs and the increased demands being experienced on services, and how these are being addressed.

**120.** Performance information is also accessible through the Council's "Our Current Performance" webpage. This includes performance progress updates on SIPs and the Council Plan. The webpage also links to the Council's annual report, *It's all about you*. This reports performance against indicators that the public have told the Council they are most interested in. The presentation of the report has been refreshed to take account of public requests to have a more accessible and easier to read format.

**121.** The Council has launched a new digital news service which provides a variety of updates covering all of council services, schools and nurseries, what's on in the area, the town centre investment and news for businesses. The digital news service is being rolled out by the Council for residents and businesses.

**122.** The Council has an established performance management framework that managers and Councillors clearly understand, which provides a sound base for ongoing and continuous improvement. However, due to the current pandemic there have been delays in reporting performance management with updated information is due to be reported later in the year.

## Statutory performance indicators (SPIs) are being monitored

**123.** The Accounts Commission has a statutory responsibility to define the performance information that councils must publish. In turn, councils have their own responsibility, under their Best Value duty, to report performance to the public. The commission does not prescribe how councils should report this

information but expects them to provide the public with fair, balanced and engaging performance information.

**124.** The Accounts Commission issued a revised 2018 Statutory Performance Information Direction in December 2018 which requires a council to report:

- its performance in improving local public services provided by the council (on its own and with its partners and communities), and progress against agreed desired outcomes
- its own assessment and independent audit assessments of how it is performing against its duty of Best Value, and how it plans to improve these assessments and how it (with its partners where appropriate) has engaged with and responded to its diverse communities.

**125.** Information is publicly available on the Council website, with the main SPI report published as well as a summary version.

**126.** We have evaluated the Council's arrangements for fulfilling the above requirements and concluded that it complies with requirements.

### **The Council was able to maintain service performance levels despite the pandemic**

**127.** The pandemic is expected to have had a substantial impact on performance measures, particularly for services which have been temporarily suspended, are operating at a reduced level or have had to adapt to new ways of working. The Council have continued to monitor key performance targets throughout the year with performance being regularly reported to the Audit, Risk and Scrutiny Board.

**128.** The Council have highlighted areas where performance has been challenging and this has been detailed in recent reports to the respective Policy Boards. This is most acute in areas where activity had to stop as a result of the pandemic, such as non-essential housing repairs, where there is now a significant increase in demand that is being managed as the Council moves forward to address the backlog.

### **The Council continues to perform well in comparison to other councils**

**129.** The Council participates in the [Local Government Benchmarking Framework](#) (LGBF). The framework aims to bring together a wide range of information about how all Scottish Councils perform in delivering better services to local communities, including the cost of services and how satisfied citizens are with them.

**130.** The annual performance report to the Audit, Risk and Scrutiny Board was presented on 22 March 2021. This provided the Board and the public with a full assessment of all 97 indicators in the LGBF for 2019/20, highlighting those

indicators in the top and bottom quartile, trend data and ranked position over the two years, Scottish average and the family group range for all indicators.

**131.** The Council continues to perform well in comparison to other councils, with 26 indicators are in the top quartile (ranked 1st to 8th), however 12 indicators are in the bottom quartile (ranked 25th to 32nd).

**132.** These represent pre-pandemic data and will provide a benchmark for future years. The 2020/21 data will be published in 2022.

### **National performance audit reports**

**133.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2020/21, Audit Scotland published a number of reports which may be of interest to the Council. These are outlined in [Appendix 3](#).

# Appendix 1

## Action plan 2020/21

### 2020/21 recommendations

| Issue/risk  | Recommendation  | Agreed management action/timing  |
|---|---|--|
| <p><b>1. Improvement in Council House Valuation Process</b></p> <p>To ensure the accuracy of land and property valuations within the annual accounts, management obtain expert advice from appropriately qualified staff within the council's property services department.</p> <p><b>Risk: There has been a significant turnover in staff and adequate records have not been maintained to support council house valuations.</b></p> | <p>The Council should formalise the internal process for the request and provision of land and property valuations. In addition, appropriate staffing and resource should be deployed to improve the valuation arrangements within the Council.</p> <p><a href="#">Paragraph 36</a></p>               | <p>Discussions between Finance and Property officers will take place to agree what supporting information will be provided and when.</p> <p>Responsible officers: Head of Finance and Head of Economy &amp; Development</p> <p>Agreed date: 31 March 2022</p>                          |
| <p><b>2. Ensuring effective use of temporary reserves arising to fund the Council's pandemic response</b></p> <p>The Council's earmarked reserves relating to the pandemic response totalled £17.296 as at 31 March 2021.</p> <p><b>Risk: There is a risk that this temporary funding is not used effectively.</b></p>  | <p>The Council will need to continue to assess the adequacy and use of ringfenced balances as it reviews its financial strategy; and to ensure that funding specifically allocated for the Covid-19 response is utilised in accordance with grant conditions.</p> <p><a href="#">Paragraph 52</a></p> | <p>These funds are earmarked in specific Covid-19 reserves and their future use will be appropriate and relevant in line with the Council's recovery plans and financial strategy.</p> <p>Responsible officer: Director of Finance and Resources</p> <p>Agreed date: 31 March 2022</p> |
| <p><b>3. Land and buildings valuation.</b></p> <p>The Council revalue elements of its fixed assets over a five-year rolling programme, with</p>   | <p>Management should consider a valuation methodology whereby 20 per cent of each class of asset is revalued each year, with all assets still being revalued once over a 5-year period.</p>   | <p>The valuation programme is kept under review and consideration will be given to this recommendation in advance of the next year-end.</p>  |

| Issue/risk  | Recommendation   | Agreed management action/timing   |
|---|--|---|
| <p>different classes of asset being revalued each year.</p> <p><b>Risk: There is a risk of large valuation movements between each year's annual accounts.</b></p>   | <p><a href="#">Paragraph 70</a></p>  | <p>Responsible officers: Head of Finance and Head of Economy &amp; Development</p> <p>Agreed date: 31 March 2022</p>  |
| <p><b>4. Heritage assets</b></p> <p>The last valuation external valuation was in 2013.</p> <p><b>Risk: There is a risk the value of heritage assets is not accurately reflected within the financial statements.</b></p>  | <p>The Council should undertake a systematic valuation of heritage assets. This should be aligned with the transfer of records onto the new electronic management system.</p> <p><a href="#">Paragraph 74</a></p>  | <p>Due to ongoing construction work in the museum service, access to these assets is limited in the short-term. This action is likely to require a longer timeline.</p> <p>Responsible officer: Head of Finance</p> <p>Agreed date: 31 March 2023</p>   |
| <p><b>5. Financial sustainability</b></p> <p>The impact of the pandemic continues to present financial challenges, with a projected deficit of up to £25 million.</p> <p><b>Risk: The Council may not be able to deal with future financial challenges and deliver required savings without adversely impacting service delivery.</b></p> | <p>The Council should develop a revised financial strategy which ensures the total balances available are used to support the financial sustainability of the Council over the medium-term. The financial strategy will require to incorporate a revised approach to service delivery and new ways of working.</p> <p>To address the financial challenge, the Council will need to actively engage with local and national partners to deliver the required level of efficiencies and savings.</p> <p><a href="#">Paragraph 88</a></p> | <p>The Council will be setting its 2022/23 budget in March 2022 which will include plans for the available balances and an updated indication of the medium-term financial outlook. The financial strategy will continue to be regularly updated to highlight any funding gap faced by the Council and outline action required to address this.</p> <p>Responsible officer: Director of Finance and Resources</p> <p>Agreed date: 30 September 2022</p> |
| <p><b>6. Community Impact Assessment</b></p> <p>The findings from the community impact assessment confirm a number of key priorities.</p> <p><b>Risk: There is a risk that priorities are not taken forward by the Council and its partners.</b></p>  | <p>It is important that partners and communities continue to work together on these priorities, and that people most impacted are able to shape the actions that are taken to address the issues being experienced.</p> <p><a href="#">Paragraph 116</a></p>   | <p>A lead officer has been appointed to implement the Council's/partner's Social Renewal Plan. Progress will be regularly reviewed by the Community Planning Partnership and reported to Leadership Board. Key priorities within the Social Renewal and Economic Recovery Plans will be</p>   |

| Issue/risk | Recommendation | Agreed management action/timing   |
|------------|----------------|---|
|            |                | <p>embedded within the next Council Plan in 2022 and through a review of the Local Outcome Improvement Plan.</p> <p>Responsible officer: Head of Policy and Commissioning</p> <p>Agreed date: August 2022</p> |

## Follow-up of prior year recommendations

| Issue/risk  | Recommendation   | Agreed management action/timing  |
|---|--|--|
| <p><b>4. Accounting for Clyde Valley Waste Facility</b></p> <p>Alongside four other local authorities, Renfrewshire Council entered into an agreement with partners in the private sector to improve and run Clyde Valley Waste Facility.</p> <p>An interim model has been applied in 2019/20 as the accounting treatment has not yet been agreed between partners.</p> <p><b>Risk</b></p> <p>There is a risk that there is an inconsistent accounting treatment between different local authorities.</p> | <p>Management should prioritise reaching an agreement over the accounting treatment for Clyde Valley Waste Facility with partners and ensure that processes are put in place to ensure that the accounting treatment for future projects are considered prior to these becoming operational.</p> | <p>Discussions with partner authorities will be pursued with a view to reaching a consistent accounting treatment using the finalised financial model commissioned by the lead authority.</p> <p>Responsible officer: Head of Finance</p> <p>Agreed date: 31 March 2021</p> <p>North Lanarkshire Council, as lead authority has undertaken to share annually the spreadsheet model to ensure consistent accounting treatment across all constituent local authorities. For the 2020/21 Accounts, an updated model was shared in May 2021, and this was used for Renfrewshire Council's 2020/21 Accounts.</p> |
| <p><b>5. Review of Controls Environment</b></p> <p>Our work highlighted that the controls in place to carry out quality checks on awarded NDR and Council Tax reliefs did not take place for a number of months at the outset of 2019/20 due to</p>   | <p>The Council should review its systems of internal control to ensure these are operating as intended despite the changes to council working arrangements resulting from the Covid-19 pandemic.</p>   | <p>The Chief Auditor has engaged with the Corporate Management team about reviewing the internal control environment and proposed amendments to the Audit Plan for 20/21 will be submitted for approval to the</p>   |

| Issue/risk  | Recommendation  | Agreed management action/timing   |
|---|---|---|
| <p>other on-going work. The same checks were also not carried out from late March 2020 to late June 2020 due to the Covid-19 lockdown.</p> <p><b>Risk</b></p> <p>There is a risk that controls in other areas have been disrupted by the change in working arrangements as a result of Covid-19.</p>  |   | <p>Audit, Risk and Scrutiny Board in November.</p> <p>Responsible officer: Chief Auditor</p> <p>Agreed date: 31 March 2021</p> <p>Following discussions with members of the CMT, revisions to the Audit Plan for 2020/21 were approved by the Audit, Risk and Scrutiny Board in November 2020.</p>  |
| <p><b>6. Improvement of Valuation Process</b></p> <p>To ensure the accuracy of land and property valuations within the annual accounts, management obtain expert advice from appropriately qualified staff within the council's property services department.</p> <p><b>Risk</b></p> <p>While we noted no issues with the advice provided, the process should be formalised.</p> <p>Valuation work provided by the valuer will not fully meet the annual accounts requirements.</p> | <p>Management should improve the internal process for the request and provision of land and property valuations to include a formal engagement letter specifying the nature of the work to be carried out, including the valuation methods for each class of asset.</p> | <p>Management will work towards the establishment of a formal process.</p> <p>Responsible officer: Director of Finance and Resources</p> <p>Agreed date: 31 March 2021</p> <p>Due to the timing of this recommendation during the financial year, it has been difficult to establish a fully updated process, however we have set up the formal meeting arrangements. Two of these meetings have already taken place, with the next two being scheduled for before and after Christmas.</p> |
| <p><b>7. Financial Sustainability</b></p> <p>The Covid-19 pandemic has introduced further financial challenges, with a projected deficit of up to £25 million.</p> <p><b>Risk</b></p> <p>The Council may not be able to deal with future financial challenges and deliver required savings without adversely impacting service delivery.</p>  | <ol style="list-style-type: none"> <li>1. Continue to update the Medium-Term Financial Plan as more clarity on the financial impact of Covid-19 obtained.</li> <li>2. Work with key partners to identify opportunities to deliver service transformation.</li> </ol>    | <p>An updated Financial Outlook report covering the period 2021 to 2023 was presented to the Council on 24 September 2020. This outlined the scale of the financial challenge and the potential impact of Covid-19. The Corporate Management Team will continue to seek ways of transforming services with a view to mitigating the potential deficit.</p>  |

| Issue/risk  | Recommendation  | Agreed management action/timing   |
|---|---|---|
|   |   | <p>Responsible officer: Director of Finance &amp; Resources</p> <p>Agreed date: Ongoing (31 March 2025)</p> <p>A revised Financial Outlook report covering the period 2022 to 2025 was presented to the Council on 30 September 2021. This outlined an updated position relating to Covid-19 funding as well as progress in the Right for Renfrewshire transformation programme and savings achieved to date. It also advised that, assuming an indicative 3% per annum council tax increase, the deficit over the three-year period would be reduced to approximately £17 million.</p> |
| <p><b>8. Process for Identification of Internal Recharges</b></p> <p>We noted that there is scope for improvement in the Council's process to accurately and efficiently identify internal recharge transactions.</p> | <p>A review of the processes for internal recharging will be undertaken by Finance staff with a view to eliminating unnecessary charges. Development of the system will be undertaken to better identify internal transactions.</p> | <p>A new journal type has been introduced into the Financial Management System to make identification of internal recharges easier. In addition, work is ongoing to review all internal recharges by department, with a view to better understanding, re-thinking and improvement of processes where appropriate. This is now part of a wider review of processes in Finance that is still ongoing.</p> <p>Responsible officer: Head of Finance</p> <p>Revised date: 31 December 2022</p>   |
| <p><b>9. Budgetary process</b></p> <p>Budget reports are considered by Policy Boards throughout the year; however, the budget setting</p>   | <p>The Council has made a number of improvements in this area:</p> <ul style="list-style-type: none"> <li>• a year-end budget report was submitted alongside the</li> </ul>   | <p>Budget monitoring reporting arrangements are subject to continuous review and development with a view to standardisation and improving transparency and</p>  |

| Issue/risk  | Recommendation   | Agreed management action/timing  |
|---|--|--|
| <p>and monitoring arrangements could be more transparent.</p>   | <p>unaudited annual accounts in June 2020.</p> <ul style="list-style-type: none"> <li>• budget monitoring reports now clearly outline changes from the originally approved budget.</li> </ul> <p>There remains an opportunity to further improve transparency through the timely publication of an amended budget to reflect decisions made by members during budget approval.</p> | <p>ease of use. The format of the approved budget will be considered for the 2021/22 Estimates.</p> <p>Responsible officer: Director of Finance and Resources</p> <p>Revised date: 31 March 2022</p> <p>In the 2021/22 estimates, budget motions were all to be funded from carried forward reserves, and Council Tax did not increase, meaning no substantive changes to the published Approved Revenue Estimates. A second report, if appropriate, will be considered for the 2022/23 Estimates.</p>   |
| <p><b>10. Community Engagement</b></p> <p>The locality plan identifies broad outcomes for improvement, but it does not refer to localities where action will be focused nor are clear timescales for achieving these set out.</p> <p><b>Risk</b></p> <p>There is a risk that outcomes do not focus on the correct localities.</p> | <p>The Council should clarify within the locality plans the localities where outcomes for improvement will be focused and specify the timescales for achieving these.</p>  | <p>Local plans are being developed by each of the Local Partnerships, and initial priorities identified during 2019. Due to the pandemic the Local Partnerships were paused and this work did not progress at the original pace intended. Sessions are being planned for January 2021 to resume locality level discussions on local priorities in light of Covid-19.</p> <p>Responsible officer: Head of Policy and Commissioning</p> <p>Revised date: 30 June 2021</p> <p>Work has been undertaken through the Developing Communities workstream to review Local Partnership arrangements, and to consider how to strengthen these going forward in recognition of learning we have gained during Covid-19 in relation to community</p> |

| Issue/risk | Recommendation | Agreed management action/timing   |
|------------|----------------|---|
|            |                | <p>relationships, capacity and empowerment.</p> <p>Resources are being identified to support the further development of the Local Partnerships, with colleagues from community learning and developing supporting work on the development of the local plans and priorities during 2022. This will be a key element of local work in relation to Covid-19 recovery.</p> |

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# Appendix 2

## Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

| Audit risk  | Assurance procedure  | Results and conclusions  |
|---|--|--|
| <p><b>1. Management override of controls</b></p> <p>ISA 240 require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls to change the position disclosed in the financial statements.</p>  | <p>Detailed testing of journal entries.</p> <p>Reviewed accounting estimates and judgements.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluated significant transactions that are outside the scope of normal business.</p>  | <p>Our audit work did not highlight any instances of management override of controls for the Council or the charities.</p>   |
| <p><b>2. Estimates and judgements in the valuation of the pension liability</b></p> <p>Renfrewshire Council recognised a net liability of £162.522 million relating to its share of Strathclyde Pension Fund at 31 March 2020. There is a significant degree of subjectivity in the measurement and valuation of the pension fund liability. The valuation is based on specialist assumptions and estimates, and changes can result in material changes to the valuation.</p> | <p>Assessed the pension fund actuary and information they provide in accordance with ISA 500.</p> <p>Reviewed the estimates used, and assumptions made in calculating the pension fund liability.</p> <p>Assessed the completeness and accuracy of information submitted by the council to Strathclyde Pension Fund to support the triennial valuation exercise.</p> | <p>We noted no issues with:</p> <ul style="list-style-type: none"> <li>the reliability of the actuary or the reasonableness of estimates they provided</li> <li>the controls management put in place or the accuracy of the information provided for the valuation.</li> </ul> |

| Audit risk   | Assurance procedure   | Results and conclusions  |
|--|---|--|
| <p>Additionally, the triennial valuation exercise will take place for the pension fund and impact on the 2020/21 annual accounts. This exercise is more detailed than the annual valuations and will also set employer contributions rates for the next three years.</p>   |   |  |
| <p><b>3. Estimates and judgements in the valuation of land and buildings</b></p> <p>Renfrewshire Council held land and buildings with a net book value (NBV) greater than £850 million at 31 March 2020. There is a significant degree of subjectivity in the valuation of land and buildings. Valuations are based on specialist and management assumptions and estimates, and changes in these can result in material changes to valuations.</p> <p>The Council's valuer reported a material uncertainty, caused by Covid-19, in the valuation of land and buildings in 2019/20. We understand the latest guidance issued by the Royal Institute of Surveyors (RICS) suggests this will not be required in 2020/21, but recognise this position may change in the coming months.</p> | <p>Assessed the internal valuer and information they provide in accordance with ISA 500.</p> <p>Reviewed the revaluations performed by the valuer in year, assessing whether they have been performed using an appropriate and relevant valuation basis / methodology by suitably qualified individuals.</p> <p>Reviewed the information provided to the valuer and assess whether this was complete and included all Renfrewshire Council's land and buildings relevant for the 2020/21 revaluation exercise.</p> <p>Reviewed and assessed the reasonableness of revaluations.</p> <p>Assessed the Council's response to any changes in guidance issued by RICS.</p> | <p>We have made recommendations in relation to valuations at points 1,3 and 4 at <a href="#">Appendix 1</a>. In addition, the Council are continuing to progress recommendation 6 from our 2019/20 Annual Audit Report. We will continue to monitor progress as part of our 2021/22 audit.</p> |
| <p><b>4. Impact of additional funding due to Covid-19 on the financial statements</b></p> <p>The Covid-19 pandemic has resulted in significant financial pressures for the Council. The Scottish and UK governments have</p>   | <p>Assessed how the Council has processed and controlled the additional funding and associated expenditure.</p> <p>Assessed how the additional funding and associated</p>   | <p>We concluded that Covid-19 related expenditure was processed through existing control processes and was correctly presented within normal Council expenditure.</p> <p>We reviewed management's process for identifying and</p>  |

| Audit risk   | Assurance procedure  | Results and conclusions   |
|--|--|---|
| <p>announced a range of additional funding streams for the Council to support frontline services and help the Council manage the financial pressures caused by Covid-19. This has also resulted in an associated increase in expenditure, with some new expenditure streams. Total additional funding in 2020/21 is expected to be around £25 million.</p> | <p>expenditure impacts on the financial statements.</p> <p>Reviewed the Management Commentary in the annual accounts and consider how the additional funding and associated expenditure has been reported.</p> | <p>recording Covid-19 related income (£41.5 million). We noted no issues in how this was classified within the accounts.</p> <p>We concluded that the impact of Covid-19 income and expenditure was clearly reported within the Management Commentary of the annual accounts.</p> |

## Risks identified from the auditor's wider responsibility under the Code of Audit Practice

| Audit risk   | Assurance procedure  | Results and conclusions  |
|--|--|--|
| <p><b>5. Financial Sustainability</b></p> <p>The Council approved the 2020/21 budget in early March 2020, prior to the impact of the Covid-19 pandemic. Following the impact of decisions at the Council meeting, net expenditure was expected to be £435.744 million and a breakeven position was forecast.</p> <p>However, Covid-19 has had a significant impact on the Council's finances. The Council's Financial Outlook 2021 – 2023 paper outlines additional pressure on the general fund budget in 2020/21 in the region of £20-£22 million. Additional funding of around £25 million from the Scottish Government has been confirmed to date.</p> <p>Consequently, the latest report to Council (4 March) indicates a projected</p> | <p>We reviewed and assessed</p> <ul style="list-style-type: none"> <li>• Financial reports and papers including, budget monitoring reports, 2021/22 budget, medium and long-term savings plans and financial outlook papers.</li> <li>• Assumptions and judgements in financial reports and papers for reasonableness.</li> <li>• The impact on the Council's reserves against its stated reserves policy and the adequacy of plans in place to replenish unallocated reserves in the event they are exhausted by the end of 2020/21.</li> </ul> | <p>The Council continues to forecast a challenging medium to long-term financial position.</p> <p>We confirmed assumptions and judgements used by the Council in its forecasting are reasonable.</p> <p>The Covid-19 pandemic adds additional pressure and uncertainty.</p> <p>We recommend the Council updates its medium-term financial plan as soon as more clarity on the financial impacts of Covid-19 is obtained.</p> |

| Audit risk   | Assurance procedure  | Results and conclusions   |
|--|--|---|
| <p>underspend on the core budget, with a level of Covid-19 related funding streams now being carried forward into 2021/22.</p>   |  |   |
| <p><b>6. Budget monitoring</b></p> <p>A recommendation was made in our <a href="#">2019/20 Annual Audit Report</a> around budget monitoring arrangements. A number of improvements had been made over the year, but transparency could be further improved through the timely publication of an amended budget to reflect decisions made by members during budget approval.</p> <p>In addition to our work, internal audit work also identified issues with operational budget monitoring arrangements. Their work concluded a fundamental review of budget monitoring documentation was required in a small number of services.</p> | <p>Followed up of prior year recommendation and review of updates to budget monitoring arrangements.</p> <p>Discussed with internal audit around progress against their recommendations.</p> | <p>In the 2021/22 estimates, budget motions were all to be funded from carried forward reserves, and Council Tax did not increase, meaning no substantive changes to the published Approved Revenue Estimates.</p> <p>The Council has advised that a second report, if appropriate, will be considered for the 2022/23 Estimates.</p> |

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# Appendix 3

## Summary of national performance reports 2020/21

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### April

[Affordable housing](#)

### June

[Highlands and Islands Enterprise: Management of Cairngorm mountain and funicular railway](#)

[Local government in Scotland Overview 2020](#)

### July

[The National Fraud Initiative in Scotland 2018/19](#)

### January

[Digital progress in local government](#)

[Local government in Scotland: Financial overview 2019/20](#)

### February

[NHS in Scotland 2020](#)

### March

[Improving outcomes for young people through school education](#)

# Renfrewshire Council

## Proposed 2020/21 Annual Audit Report

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**Date:** 15 November 2021



John Cornett  
Audit Director  
Audit Scotland  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

Dear John

## Renfrewshire Council Annual report and Accounts 2020/21

1. This representation letter is provided about your audit of the annual accounts of Renfrewshire Council for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the Remuneration Report, Management Commentary and Annual Governance Statement.
2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Chief Executive and Corporate Management Team, the following representations given to you in connection with your audit of Renfrewshire Council's annual accounts for the year ended 31 March 2021.

### General

3. Renfrewshire Council and I have fulfilled our statutory responsibilities for the preparation of the 2020/21 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by Renfrewshire Council have been recorded in the accounting records and are properly reflected in the financial statements.
4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.



**Finance & Resources**  
**Director: Alan Russell CPFA**  
Renfrewshire House, Cotton Street, Paisley PA1 1TT  
[www.renfrewshire.gov.uk](http://www.renfrewshire.gov.uk)



## Financial Reporting Framework

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (2020/21 accounting code), and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and the Local Authority Accounts (Scotland) Regulations 2014.
6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the Renfrewshire Council at 31 March 2021 and the transactions for 2020/21.

## Accounting Policies & Estimates

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2020/21 accounting code where applicable. Where the accounting code does not specifically apply, I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to Renfrewshire Council's circumstances and have been consistently applied.
8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

## Going Concern Basis of Accounting

9. I have assessed Renfrewshire Council's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on Renfrewshire Council's ability to continue as a going concern.

## Assets

10. Where a rolling programme of asset valuations has been used, I have satisfied myself that the carrying amount of assets at 31 March 2021 does not differ materially from that which would be determined if a revaluation had been carried out at that date. I am satisfied that all revaluations carried out in 2020/21 have been done so on an appropriate basis and these are free from material misstatement.
11. I carried out an assessment at 31 March 2021 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified.
12. I have provided you with all information of which I am aware regarding any valuation exercises carried out after 31 March 2021.



13. There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised within the financial statements.
14. Owned assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

## Liabilities

15. All liabilities at 31 March 2021 of which I am aware have been recognised in the annual accounts.
16. Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2021 of which I am aware where the conditions specified in the 2020/21 accounting code have been met. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the obligation at 31 March 2021. Where the effect of the time value of money is material, the amount of the provision has been discounted to the present value of the expected payments.
17. Provisions recognised in previous years have been reviewed and adjusted, where appropriate, to reflect the best estimate at 31 March 2021 or to reflect material changes in the assumptions underlying the calculations of the cash flows.
18. The accrual recognised in the financial statements for holiday untaken by 31 March 2021 has been estimated on a reasonable basis.
19. The pension assumptions made by the actuary in the IAS 19 report for Renfrewshire Council have been considered and I confirm that they are consistent with management's own view.
20. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

## Contingent liabilities

21. There are no significant contingent liabilities, other than those disclosed in Note 30 to the financial statements, arising either under formal agreement or through formal undertakings requiring disclosure in the accounts. All known contingent liabilities have been fully and properly disclosed, including any outstanding legal claims which have not been provided under the 2020/21 accounting code and IAS 37.

## Fraud

22. I have provided you with all information in relation to:
  - my assessment of the risk that the financial statements may be materially misstated because of fraud;
  - any allegations of fraud or suspected fraud affecting the financial statements; and



- fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

## Laws and Regulations

23. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

## Related Party Transactions

24. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2020/21 accounting code. I have made available to you the identity of all the Renfrewshire Council's related parties and all the related party relationships and transactions of which I am aware.

## Remuneration Report

25. The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014, and all required information of which I am aware has been provided to you.

## Management commentary

26. I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

## Corporate Governance

27. I confirm that the Renfrewshire Council has undertaken a review of the system of internal control during 2020/21 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.
28. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2021, which require to be reflected.

## Group Accounts

29. I have identified all the other entities in which Renfrewshire Council has a material interest and have classified and accounted for them in accordance with the 2020/21 accounting code. Any significant issues with the financial statements of group entities, including any qualified audit opinions, have been advised to you.



## Events Subsequent to the Date of the Balance Sheet

30. All events subsequent to 31 March 2021 for which the 2020/21 accounting code requires adjustment or disclosure have been adjusted or disclosed.

## Additional COVID-19 funding

31. Additional funding streams have been received from the Scottish and UK government within the financial year to help support frontline services and manage the financial pressures caused by the pandemic. This resulted in associated new expenditure streams. This funding and associated expenditure have been accounted for within 2020/21 financial statements in line with the LASAAC guidance published in May 2021 on accounting for coronavirus grants.

## Prior Rear Restatements

32. I confirm that all restatements to correct or update 2019/20 comparative figures in the 2020/21 financial statements have been accurately processed.

This Letter was considered at the meeting of the Audit, Risk and Scrutiny Board held on 15 November 2021.

Yours sincerely

Alan Russell  
Director of Finances and Resources

